
State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Filing at a Glance

Company:	Medicus Insurance Company
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
State:	Illinois
TOI:	11.2 Med Mal-Claims Made Only
Sub-TOI:	11.2000 Med Mal Sub-TOI Combinations
Filing Type:	Rate
Date Submitted:	06/29/2012
SERFF Tr Num:	MEIC-128531808
SERFF Status:	Closed-Filed
State Tr Num:	MEIC-128531808
State Status:	
Co Tr Num:	IND RISK RATING 06/2012
Effective Date	On Approval
Requested (New):	
Effective Date	On Approval
Requested (Renewal):	
Author(s):	Jane Cundiff, Truman Townzen, Fatima Stanger
Reviewer(s):	Gayle Neuman (primary)
Disposition Date:	04/03/2013
Disposition Status:	Filed
Effective Date (New):	07/01/2012
Effective Date (Renewal):	07/01/2012

State Filing Description:

State: Illinois
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Filing Company: Medicus Insurance Company

General Information

Project Name: IL Ind Risk Rating 06/2012

Project Number: Ind Risk Rating 06/2012

Reference Organization:

Reference Title:

Filing Status Changed: 04/03/2013

State Status Changed:

Created By: Jane Cundiff

Corresponding Filing Tracking Number:

Status of Filing in Domicile:

Domicile Status Comments:

Reference Number:

Advisory Org. Circular:

Deemer Date:

Submitted By: Jane Cundiff

Filing Description:

Please accept this Individual Risk Rating for Midwest Emergency Department Services, Inc.

We have attached a letter to the Rate/Rule Schedule giving a detailed summary of the proposal.

Please let us know if we can provide any further information.

Thank you.

Company and Contact

Filing Contact Information

Jane Cundiff, Regulatory Compliance jcundiff@medicusins.com
Coordinator
4807 Spicewood Springs Road 512-879-5128 [Phone]
Bldg 4-100
Austin, TX 78759

Filing Company Information

Medicus Insurance Company	CoCode: 12754	State of Domicile: Texas
4807 Spicewood Springs Rd, Bldg.	Group Code: 11	Company Type:
4 1st Floor	Group Name: Property and	State ID Number:
Austin, TX 78759	Casualty	
(866) 815-2023 ext. [Phone]	FEIN Number: 20-5623491	

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

Per Company: Yes

Company	Amount	Date Processed	Transaction #
Medicus Insurance Company	\$50.00	06/29/2012	60573624

State Specific

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
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Refer to our checklists prior to submitting filing (http://www.idfpr.com/DOI/Prop_Cas_IS3_Checklists/IS3_Checklists.htm): OK

Refer to our updated (04/06/2007) SERFF General Instructions prior to submitting filing. They have been updated to clarify what rates and rules are required to be filed as well as what rates and rules are not required to be filed. Also, the "Product Name" is the Filing Title and not the Project Number.: OK

NO RATES and/or RULES ARE REQUIRED TO BE FILED FOR LINES OF COVERAGE SUCH AS COMMERCIAL AUTO (except taxicabs), BURGLARY AND THEFT, GLASS, FIDELITY, SURETY, COMMERCIAL GENERAL LIABILITY, CROP HAIL, COMMERCIAL PROPERTY, DIRECTORS AND OFFICERS, ERRORS AND OMISSIONS, COMMERCIAL MULTI PERIL just to mention a few. However, a Summary Sheet (RF-3) is required to be filed. Please refer to the State Specific Field below for what rates/rules are required to be filed and to our checklists for specific statutes, regulations, etc. :

http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp .: OK

Medical Malpractice rates/rules may now be submitted using SERFF effective January 1, 2012.: OK

The only rates and/or rules that are required to be filed are Homeowners, Mobile Homeowners, Dwelling Fire and Allied Lines, Workers' Compensation, Liquor Liability, Private Passenger Automobiles, Taxicabs, Motorcycles and Group Inland Marine Insurance which only applies to insurance involving personal property owned by, being purchased by or pledged as collateral by individuals, and not used in any business, trade or profession per Regulation Part 2302 which says in part, "each company shall file with the Director of Insurance each rate, rule and minimum premium before it is used in the State of Illinois.": OK

When selecting a form filing type for a multiple form filing, use the dominant type from these choices: APP - application; CER - certificate; COF - coverage form; DPS - declaration page; END - endorsement; POJ - policy jacket; ORG - Companies adopting an Advisory or Rating Organization's filing. Example: If you are submitting a policy as well as endorsements, a declaration page and an application, you would select "POL" for policy.: OK

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Gayle Neuman	04/03/2013	04/03/2013

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Gayle Neuman	07/23/2012	01/15/2013
Pending Industry Response	Gayle Neuman	07/16/2012	07/16/2012
Pending Industry Response	Gayle Neuman	07/03/2012	07/03/2012

Response Letters

Responded By	Created On	Date Submitted
Fatima Stanger	03/22/2013	03/22/2013
Jane Cundiff	07/20/2012	07/20/2012
Jane Cundiff	07/13/2012	07/13/2012

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Response to January 15, 2013 correspondence	Note To Reviewer	Fatima Stanger	03/22/2013	03/22/2013
Medicus - Attorney Representation	Note To Reviewer	Jane Cundiff	03/18/2013	03/18/2013
attorney representation	Note To Filer	Gayle Neuman	03/18/2013	03/18/2013
extension	Note To Filer	Gayle Neuman	03/18/2013	03/18/2013
Extension Request to March 15, 2013 (Not May)	Note To Reviewer	Jane Cundiff	02/27/2013	02/27/2013
additional extension request	Note To Filer	Gayle Neuman	02/27/2013	02/27/2013
Additional Extension Request	Note To Reviewer	Jane Cundiff	02/27/2013	02/27/2013
extension	Note To Filer	Gayle Neuman	01/31/2013	01/31/2013

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Extension Request	Note To Reviewer	Jane Cundiff	01/31/2013	01/31/2013
Filing Status	Note To Reviewer	Jane Cundiff	10/16/2012	10/18/2012
Legal - Rebate	Reviewer Note	Gayle Neuman	01/15/2013	

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Disposition

Disposition Date: 04/03/2013
Effective Date (New): 07/01/2012
Effective Date (Renewal): 07/01/2012
Status: Filed

Comment: Since commissions are an expense, the Department expects them to be included in the original rate filings. An Individual Risk Rate (IRR) is used when risks cannot be rated using the rate manual on file because of a unique characteristic(s). The Department's records show Medicus reduced the commission after submitting your rate filing. While a single occurrence may be acceptable, multiple instances is double discounting and a violation of the Illinois Insurance Code. It is preferable to build the commission reduction into the rate otherwise the action acts contrary to the State's anti-rebating law. Despite this, we will allow this particular IRR to go through.

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Explanatory Memorandum		Yes
Supporting Document	Form RF3 - (Summary Sheet)		Yes
Supporting Document (revised)	Certification		Yes
Supporting Document	Certification		Yes
Supporting Document	Manual		Yes
Rate	Individual Risk Rating - Midwest Emergency Department Services, Inc.		Yes

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
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Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	07/23/2012
Submitted Date	01/15/2013
Respond By Date	01/31/2013

Dear Jane Cundiff,

Introduction:

This is to acknowledge receipt of your filing. Your submission is not acceptable for filing in Illinois due to the following reasons:

Pursuant to 215 ILCS 5/151, no company and no insurance agent shall offer any rebate or part of the premium payable on the policy or on any policy or agent's commission thereof which is not specified in the policy. Therefore, you are requested to revise this filing.

Conclusion:

Sign up to get e-mail notification for updates to the Department's website. <http://insurance.illinois.gov/RSS/>

Please refer to the appropriate Property Casualty IS3 Review Requirements Checklist before submitting any filing. The checklists are available at the Department's Web site or at the following link:

http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp

Please submit compliant form(s) no later than the date shown above or the entire filing may be disapproved. Please be advised that when the Director disapproves the form(s) you must immediately cease using the form(s) in Illinois.

Please give this matter your immediate attention. If you have any question regarding this filing please feel free to contact me.

Sincerely,

Gayle Neuman

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	07/16/2012
Submitted Date	07/16/2012
Respond By Date	07/23/2012

Dear Jane Cundiff,

Introduction:

This is to acknowledge receipt of your filing. Your submission is not acceptable for filing in Illinois due to the following reasons:

Please explain how this consumer's size compares to other insureds? It this risk a hospital or clinic? Do other risks not experience the same overhead expenses for day to day operations and budgeting?

Please provide the exact breakdown of the premium - including the exact schedule credit amount. What is the advanced Risk Management credit?

Conclusion:

Sign up to get e-mail notification for updates to the Department's website. <http://insurance.illinois.gov/RSS/>

Please refer to the appropriate Property Casualty IS3 Review Requirements Checklist before submitting any filing. The checklists are available at the Department's Web site or at the following link:

http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp

Please submit compliant form(s) no later than the date shown above or the entire filing may be disapproved. Please be advised that when the Director disapproves the form(s) you must immediately cease using the form(s) in Illinois.

Please give this matter your immediate attention. If you have any question regarding this filing please feel free to contact me.

Sincerely,

Gayle Neuman

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	07/03/2012
Submitted Date	07/03/2012
Respond By Date	07/13/2012

Dear Jane Cundiff,

Introduction:

This is to acknowledge receipt of your filing. Your submission is not acceptable for filing in Illinois due to the following reasons:

- 1. Please indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?*
- 2. 215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience. This information is required in every rate/rule filing for medical malpractice.*
- 3. What premium amount was quoted to this prospective insured? What was the insured's expiring premium with Medical Protective? What limits are represented by the manual premium listed? What was the schedule rating debit or credit percentage? Please explain what about the risk is so unique that it requires this consideration.*

Conclusion:

Sign up to get e-mail notification for updates to the Department's website. <http://insurance.illinois.gov/RSS/>

Please refer to the appropriate Property Casualty IS3 Review Requirements Checklist before submitting any filing. The checklists are available at the Department's Web site or at the following link:

http://insurance.illinois.gov/Prop_Cas_IS3_Checklists/IS3_Checklists.asp

Please submit compliant form(s) no later than the date shown above or the entire filing may be disapproved. Please be advised that when the Director disapproves the form(s) you must immediately cease using the form(s) in Illinois.

Please give this matter your immediate attention. If you have any question regarding this filing please feel free to contact me.

Sincerely,

Gayle Neuman

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	03/22/2013
Submitted Date	03/22/2013

Dear Gayle Neuman,

Introduction:

In response to your correspondence of January 15, 2013,

Response 1

Comments:

a letter has been submitted to you via note to reviewer.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Please contact us should you have any additional questions.

Sincerely,

Fatima Stanger

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/20/2012
Submitted Date	07/20/2012

Dear Gayle Neuman,

Introduction:

Please see our attached response below.

Response 1

Comments:

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
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***Please explain how this consumer's size compares to other insureds?

The Company currently insures 325 accounts in Illinois, averaging 2.3 physicians and \$63,000 in annual premium. Midwest Emergency Department Services is comprised of 211 physicians generating \$1 million in annual premium. Only four accounts in Illinois (about 1%) approach \$1 million in premium, with this account being one of them.

***It this risk a hospital or clinic?

This risk is a group of Emergency Medicine Physicians that staff various hospitals and clinics in Illinois, Ohio, and Indiana.

***Do other risks not experience the same overhead expenses for day to day operations and budgeting

Due to efficiencies caused by economies of scale, the overhead expenses the Company incurs to handle large accounts is significantly less percentage-wise than the costs associated with average accounts that have just 2.3 physicians and generate \$63,000 in premium in Illinois. The Company's average underwriting expense load in Illinois (excluding commissions and premium taxes) is 13%. For this account, due to the magnitude of the premium, the underwriting expense load is projected to be about 7%. Additionally, the Company's average commission load in Illinois is 12%. For this account, the insured is paying brokerage directly to the agent, so the Company's commission is reduced to 2%. As such, this account is expected to incur underwriting expenses of about 11% versus the Illinois average of 27%. Those unique expense savings have been factored into the Company's experience rating model to develop this account's individual risk rating.

***Please provide the exact breakdown of the premium - including the exact schedule credit amount.

Illinois Facilities - Emergency Medicine: 216,990 visits in Territory 1. Retroactive date is 12/1/83. Manual premium is \$1,466,050. In accordance with our Experience Model, an experience rating credit of 33% was applied for a final premium of \$968,853.
 Jerseyville Community Hospital Hospitalists, Non-Invasive: 2,500 visits in Territory 8. Retroactive date is 08/01/00. Manual premium is \$5,859. In accordance with our Experience Model, an experience rating credit of 33% was applied for a final premium of \$3,926.

Ohio Facilities Emergency Medicine: 23,250 visits in Territory 1. Retroactive date is 11/1/09. Manual premium is \$85,609. In accordance with our Experience Model, an experience rating credit of 33% was applied for a final premium of \$57,358.

Indiana Physicians Emergency Medicine (with Trauma): 12 Physicians. Retroactive date for each physician is 7/1/12. Manual premium is \$4,150 for each. In accordance with our Indiana filing rules, we applied 50% schedule credit to each in addition to 5% advanced risk management credit to each, for a final premium of \$1,970 for each physician. Total premium for all Indiana physicians is \$23,640.

Corporate Limit Manual Premium \$1,053,777. No credits were applied. Final premium is \$73,764 in accordance with IL rate rule filing.

Final premium is \$1,127,541. Premium inclusive of 2% commission is \$1,014,787.

***What is the advanced Risk Management credit?

In accordance with our IL rate rule filing, 1% credit will apply for each Company approved CME hour of risk management completed, up to a maximum of 5% credit per year, or attendance at a Company approved seminar.

Changed Items:

No Supporting Documents changed.

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
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Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Please let us know if we can provide any further information.

Thank you,

Jane Cundiff

Sincerely,

Jane Cundiff

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/13/2012
Submitted Date	07/13/2012

Dear Gayle Neuman,

Introduction:

Please see the responses to the objections below.

Response 1

Comments:

1. Medicus will maintain its own plan for statistical reporting of medical malpractice data.
2. Please see the attached certification under the Supporting Documents Tab.
3. Quoted premium was \$1,127,541. Expiring premium with Med Pro was \$1,324,457. Manual premium is representative of \$1M/\$3M limits for all exposures except the Indiana physicians, who were quoted at limits of \$250k/\$750k. The only schedule rating applied was for the IN physicians, who received 50% schedule credit along with 5% advanced Risk Management credit. The rest of the exposures were experience rated in accordance with our model.

The uniqueness of this risk lies in its sheer size, requiring an inordinate overhead expense for maintenance of day to day operations and future budgeting. By reducing expense for the group through reduction of commission paid to the broker, the group is better equipped to meet the needs of the community it serves and Medicus is still able to collect the same premium for the risk. Premium inclusive of 2% commission is \$1,014,787.

Changed Items:

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
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Supporting Document Schedule Item Changes	
Satisfied - Item:	Certification
Comments:	Please see attached.
Attachment(s):	ILLINOIS CERTIFICATION 07-2012 (SIGNED).pdf
<i>Previous Version</i>	
Bypassed - Item:	<i>Certification</i>
Bypass Reason:	<i>N/A</i>
Attachment(s):	

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Please let us know if we can provide any further information.

Thank you.

Sincerely,

Jane Cundiff

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Reviewer

Created By:

Fatima Stanger on 03/22/2013 12:51 PM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

Response to January 15, 2013 correspondence

Comments:

Please see the attached letter.

Please contact us should you have any additional questions.

Thank you,
Fatima T. Stanger



Via email, U.S. Mail and SERFF

March 22, 2013

Anne Marie Skallerup
Staff Attorney
Illinois Department of Insurance
100 West Randolph Street
Suite 9-301
Chicago, Illinois 60601-3395

RE: Medicus SERFF No. MEIC-128531808

Dear Ms. Skallerup:

This letter is in response to your correspondence dated January 9, 2013 in which the Illinois Department of Insurance (the "Department") identified certain observations about the above-referenced individual risk filing. Specifically, your letter expressed observations regarding: (i) whether, pursuant to 215 ILCS 5/155.18, an agent's commission is a reasonable consideration in establishing a standard to measure variations in risk for an individual rate negotiated premium; and (ii) whether a reduction of an agent's commission in an individual rate negotiated is a rebate under 215 ILCS 5/151.

Medicus Insurance Company ("Medicus") first submitted the above-referenced individual risk filing to the Department on June 29, 2012. Medicus first received response correspondence from the Department on July 3, 2012. Medicus responded to this correspondence on July 13, 2012. Medicus responded to additional correspondence on July 20, 2012. None of this correspondence raised the concerns regarding 215 ILCS 5/155.18 or 215 ILCS 5/151. Medicus received no further correspondence from the Department until January 9, 2013. Medicus issued a claims-made medical malpractice insurance policy at the proposed reduced rate of premium to Midwest Emergency Department Services, Inc. ("MEDS") with an effective date of July 1, 2012 (the "MEDS Policy").

With respect to whether an agent's commission is a reasonable consideration in establishing a standard to measure variations in risk for an individual rate negotiated premium pursuant to 215 ILCS 5/155.18, we disagree with your observations. In relevant part, 215 ILCS 5/155.18 provides:

(b)(4) Risks may be grouped by classification for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which established standards for measuring variations in hazards or expense provisions, or both. Such standards may

measure any difference among risks that have a probable effect upon losses or expenses. Such classifications or modifications of classifications of risk may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable consideration and shall apply to all risks under the same or substantially the same circumstances or conditions. The rate for an established classification should be related generally to the anticipated loss and expense factors of the class. [Emphasis added.]

Based on our reading of 215 ILCS 5/155.18, we determined that an agent's commission is in fact a permissible "expense" and "reasonable consideration" upon which to base an individual rate negotiated premium. More specifically, we determined that an agent's commission certainly factors towards the "expense" of the risk to be insured, and thus, is a "reasonable consideration" upon which to base an individual rate negotiated premium. Furthermore, our Illinois Rate and Rule manual does not call for a specific rate of commission. Medicus' corresponding Actuarial Memorandum merely provides for an average rate of 12% to be used for rate making purposes. Based on the foregoing, and our reading of 215 ILCS 5/155.18, Medicus issued the Policy to MEDS with an effective date of July 1, 2012.

With respect to the rebating issue, 215 ILCS 5/151 provides in relevant part:

Payment or acceptance of rebates prohibited. (1) No company doing business in this State and no insurance agent or broker shall offer, promise, allow, give, set off or pay, directly or indirectly, any rebate of or part of the premium payable on the policy, or on any policy or agent's commission thereon or earnings, profits, dividends or other benefits founded, arising, accruing or to accrue thereon or therefrom, or any special advantage in date of policy or age of issue, or any paid employment or contract for services of any kind or any other valuable consideration or inducement to or for insurance on any risk in this State, now or hereafter to be written, or for or upon any renewal of any such insurance, which is not specified in the policy contract of insurance, or offer, promise, give, option, sell, purchase any stocks, bonds, securities or property or any dividends or profits accruing or to accrue thereon, or other thing of value whatsoever as inducement to insurance or in connection therewith, or any renewal thereof which is not specified in the policy. [Emphasis added.]

It is our understanding that the true essence of the above provision is to: (i) alleviate concerns regarding insurer insolvency resulting from an insurer discounting premiums to inadequate levels and (ii) prohibit the giving something of value to sell the policy that is not provided for on the policy itself. Accordingly, the statutory language limits the scope of the provision to valuable consideration "which is not specified in the policy contract of insurance." Medicus received its full-stated premium on the MEDS Policy. Furthermore, unlike the often discriminatory back-room/handshake deals this provision aims to prevent, here the premium reduction was completely transparent and clearly stated on the face of the policy.



While we disagree that the above-referenced filing runs afoul of either the spirit or intent of either 215 ILCS 5/155.18 or 215 ILCS 5/151, Medicus ardently desires to comply with all Department policies and rules. Accordingly, we apologize for any inconsistencies related to the issuance of the MEDS Policy. If renewed by the insured, the 2013 MEDS Policy will comply with the observations made in your January 9, 2013 correspondence. Future medical malpractice policies issued by Medicus will likewise comply with Medicus' general and individual rate filings as approved by the Department.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Neil Simons", is written over the typed name.

Neil Simons

Vice President, Regulatory Compliance & Product Development

Cc: John Gatlin (IDOI)
Gayle Neuman (IDOI)
Corinne Carr (SNR Denton)

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Reviewer

Created By:

Jane Cundiff on 03/18/2013 02:32 PM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

Medicus - Attorney Representation

Comments:

Dear Ms. Neuman,

At this time, Medicus Insurance Company has retained attorney representation.

The attorney's contact information is:

Corrine P. Carr
SNR Denton
233 South Wacker Drive, Suite 7800
Chicago, IL 60606-6404
312-876-7477

Please let us know if you need any further information.

Thank you,

Jane Cundiff

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Filer

Created By:

Gayle Neuman on 03/18/2013 09:25 AM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

attorney representation

Comments:

I will need notice from Medicus indicating that an attorney is representing them at this point - including the name and address of the attorney.

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Filer

Created By:

Gayle Neuman on 03/18/2013 09:23 AM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

extension

Comments:

Because of contact by Corinne Carr, I will extend the due date to March 22, 2013.

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Reviewer

Created By:

Jane Cundiff on 02/27/2013 03:56 PM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

Extension Request to March 15, 2013 (Not May)

Comments:

Ms. Neuman,

I am so sorry, I meant to ask for March 15th, not May.

I apologize for this!

Thank you,

Jane

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Filer

Created By:

Gayle Neuman on 02/27/2013 01:31 PM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

additional extension request

Comments:

I previously extended the response time by 4 weeks. At this time, I am willing to extend the due date to March 15, 2013. If you can provide us with some explanation of why addressing this situation would take an additional two months after the March 15 extension, I could reconsider the extension request.

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Reviewer

Created By:

Jane Cundiff on 02/27/2013 11:44 AM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

Additional Extension Request

Comments:

Ms. Neuman,
Is it possible to get an additional extension until Friday, May 15, 2013?
Thank you,
Jane Cundiff

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Filer

Created By:

Gayle Neuman on 01/31/2013 03:51 PM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

extension

Comments:

I will extend the due date to February 28, 2013.

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Reviewer

Created By:

Jane Cundiff on 01/31/2013 01:39 PM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

Extension Request

Comments:

Ms. Neuman,

Medicus Insurance Company would like to request an extension regarding this filing. Would it be possible to move the response date to 2/28/2013?

Please let us know if that will work.

Thank you,

Jane Cundiff

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Note To Reviewer

Created By:

Jane Cundiff on 10/16/2012 05:46 PM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

Filing Status

Comments:

Dear Ms. Neuman,

I am following up on behalf of Jane Cundiff as she is currently on maternity leave. Could you please provide me with a status of this filing? Is there any additional information you need or questions you may have?

Thank you,
Fatima T. Stanger

State: Illinois **Filing Company:** Medicus Insurance Company
TOI/Sub-TOI: 11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations
Product Name: Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.
Project Name/Number: IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012

Reviewer Note

Created By:

Gayle Neuman on 01/15/2013 07:59 AM

Last Edited By:

Gayle Neuman

Submitted On:

04/03/2013 01:30 PM

Subject:

Legal - Rebate

Comments:

This letter was sent to Medicus by Legal staff.



Illinois Department of Insurance

PAT QUINN
Governor

Andrew Boron
Director

January 9, 2013

Jane Cundiff
Medicus Insurance Company
4807 Spicewood Springs Road
Bldg 4-100
Austin, TX 78759

RE: Medicus Individual Rate Filing - Agents' Commissions- Rebate

Dear Mrs. Cundiff:

The Illinois Department of Insurance is in receipt of the Medicus individual risk filing, SERFF No. MEIC-128531808, including information that an agent would be giving up 10% of his 12% commission, and have reviewed said filing. Please be advised that consistent, with governing law, the Department of Insurance does not render formal legal opinions or interpretations. We can however, offer the following observations with respect to the filing.

Initially, as to any facts material to observations expressed herein, which we did not independently establish or verify, we have relied solely upon statements and representations contained in the individual risk filing submitted to the Department.

We reviewed whether an agent's commission is a reasonable consideration in establishing a standard to measure variations in risk for an individual rate negotiated premium. We also reviewed whether a reduction of an agent's commission in an individual rate negotiated premium is an impermissible set-off, and therefore a rebate.

With respect to the former question, the Illinois Insurance Code provides in part, 215 ILCS 5/155.18:

(b)(4) Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Such classifications or modifications of classifications of risks may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations and shall apply to all

risks under the same or substantially the same circumstances or conditions. The rate for an established classification should be related generally to the anticipated loss and expense factors of the class. [Emphasis added.]

The above provision allows for individual rates to be established for unusual types of risk. The rates must be established in accordance with established standards that may measure the difference among risks effecting losses or expenses. Such standards may be based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations.

An agent's commission does not factor toward the risk to be insured. It does not factor in the measure of variation of risk effecting losses or expenses. It factors toward what the agent will earn in the sale of the policy. Therefore, an agent's commission is not a reasonable consideration in establishing a standard for the purposes of determining an individual rate for an unusual type of risk.

With respect to the latter question, 215 ILCS 5/151 of the insurance code may be pertinent. The Illinois Insurance Code at 215 ILCS 5/151 provides in part:

Payment or acceptance of rebates prohibited. (1) No company doing business in this State and no insurance agent or broker shall offer, promise, allow, give, set off or pay, directly or indirectly, any rebate of or part of the premium payable on the policy, or on any policy or agent's commission thereon or earnings, profits, dividends or other benefits founded, arising, accruing or to accrue thereon or therefrom, or any special advantage in date of policy or age of issue, or any paid employment or contract for services of any kind or any other valuable consideration or inducement to or for insurance on any risk in this State, now or hereafter to be written, or for or upon any renewal of any such insurance, which is not specified in the policy contract of insurance, or offer, promise, give, option, sell, purchase any stocks, bonds, securities or property or any dividends or profits accruing or to accrue thereon, or other thing of value whatsoever as inducement to insurance or in connection therewith, or any renewal thereof which is not specified in the policy. [Emphasis added.]

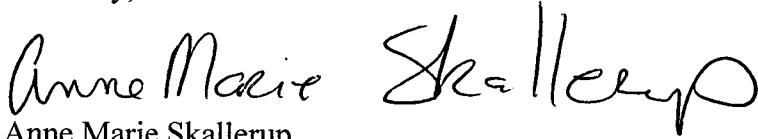
The essence of the above prohibitions are with the giving or offering by the insurer, of any rebate or other valuable consideration to the prospective insured as inducement to purchasing of insurance.

In this case, the savings of over a \$100,000 due to the agent reducing his commission from 12% to 2% is an impermissible set-off because savings resulting from the reduction could induce a prospective policyholder to purchase insurance from an agent who might otherwise choose to purchase a policy from a different insurance company or agent. It is therefore, an impermissible rebate.

This observation is rendered as of the date set forth above and pursuant to the provisions of the Illinois Insurance Code. We expressly disclaim any obligation to advise you of any changes in the circumstances, laws or events that may occur after this date or otherwise to update this correspondence.

I trust that this correspondence provides sufficient detail to more fully explain the Department's position in this matter.

Sincerely,

A handwritten signature in black ink that reads "Anne Marie Skallerup". The signature is written in a cursive, flowing style.

Anne Marie Skallerup
Staff Attorney

cc: J. Gatlin
File

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Individual Risk Rating - Midwest Emergency Department Services, Inc.		New		2012 06 29_Midwest Emergency Department Services - Ind Risk Rating Proposal.pdf



June 29, 2012

Ms. Gayle Neuman
Illinois Division of Insurance
Property & Casualty Compliance
320 W. Washington St., 4th Floor
Springfield, IL 62767

RE: Medicus Insurance Company
Individual Risk Rating – Midwest Emergency Department Services, Inc. dba MEDS

Dear Ms. Neuman:

Please accept this submission, in accordance with Section 155.18(b)(4) of the Illinois Insurance Code, of an Individual Risk Rating proposal for the above captioned medical group. MEDS has applied for claims made professional medical liability insurance with Medicus Insurance Company.

Following is a summary of the submission provided to Medicus Insurance Company.

Insured:	Midwest Emergency Department Services, Inc. dba MEDS
Exposures:	199 Physicians, with supporting Allied Health Providers, rated on a per-patient visit basis with 219,490 visits in Illinois and 23,250 visits in Ohio, and 12 Physicians in Indiana.
Effective Date:	July 1, 2012
Retroactive Date:	December 1, 1983
Locations:	St. Clair & Jersey Counties, IL, Seneca County, Ohio, and Franklin County, IL
Territory:	1 (St. Clair County)
Expiring Carrier:	Medical Protective
Claims Summary:	Losses (Indemnity and ALAE) within industry accepted standards over the previous ten year period for current and departed providers.

The Medicus Insurance company manual premium is \$1,587,318.

First, we applied an experience modification of -33% as determined by our actuarial loss rating model.

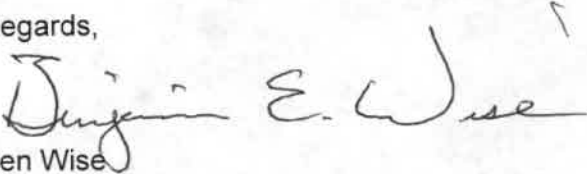
With these factors input, the Medicus premium comes to \$1,127,541.

Finally, in order to further lower expenses for the client we have lowered the commission rate to 2% versus the standard 12% in Illinois – as agreed upon by the client and the agent. The Medicus premium inclusive of 2% commission is \$1,014,787.

We believe this rating approach is not excessive, inadequate or unfairly discriminatory.

We request, therefore, approval of this rate, in accordance with Section 155.18(b)(4) of the Illinois Insurance Code. I look forward to reply at your earliest convenience.

Regards,

A handwritten signature in cursive script, appearing to read "Ben E. Wise", with a small upward-pointing arrow above the end of the signature.

Ben Wise
Underwriter
Medicus Insurance Company

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
Project Name/Number:	IL Ind Risk Rating 06/2012/Ind Risk Rating 06/2012		

Supporting Document Schedules

Bypassed - Item:	Explanatory Memorandum
Bypass Reason:	Please see the filing description under the General Information Tab.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Form RF3 - (Summary Sheet)
Bypass Reason:	Not a rate revision.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Certification
Comments:	Please see attached.
Attachment(s):	ILLINOIS CERTIFICATION 07-2012 (SIGNED).pdf
Item Status:	
Status Date:	


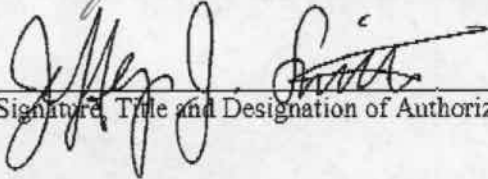
Bypassed - Item:	Manual
Bypass Reason:	Not a manual revision.
Attachment(s):	
Item Status:	
Status Date:	

ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

I, Mark Johnson, a duly authorized officer of Medicus Insurance Company, am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, Jeffrey J. Smith, a duly authorized actuary of NORCAL Mutual Insurance Company, am authorized to certify on behalf of Medicus Insurance Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

 _____ Signature and Title of Authorized Insurance Company Officer	<u>07/12/2012</u> Date
 _____ Signature, Title and Designation of Authorized Actuary	<u>07/12/2012</u> Date

Insurance Company FEIN 20-5623491

Filing Number IL Ind Risk Rating 06/2012

Insurer's Address 4807 Spicewood Springs, Bldg 4-100

City Austin

State TX

Zip Code 78759

Contact Person's:

Name and E-mail Jane M. Cundiff (jcundiff@medicusins.com)

Direct Telephone and Fax Number 512-879-5128, Fax: 877-686-0558

State:	Illinois	Filing Company:	Medicus Insurance Company
TOI/Sub-TOI:	11.2 Med Mal-Claims Made Only/11.2000 Med Mal Sub-TOI Combinations		
Product Name:	Illinois Individual Risk Rating - Midwest Emergency Department Services, Inc.		
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Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date	Schedule Item Status	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
06/29/2012		Supporting Document	Certification	07/13/2012	